

187

INFORMATION REPORT INFORMATION REPORT
CENTRAL INTELLIGENCE AGENCY

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

C-O-N-F-I-D-E-N-T-I-A-L

COUNTRY	Poland	REPORT NO.	25X1A
SUBJECT	Postwar Investment Banking	DATE DISTR.	19 July 1955
25X1C		NO. OF PAGES	8
DATE OF INFO.		REQUIREMENT NO.	RD
PLACE ACQUIRED		REFERENCES	
DATE ACQUIRED			

25X1X

25X1

C-O-N-F-I-D-E-N-T-I-A-L

STATE	#X	ARMY	#X	NAVY	#X	AIR	#X	FBI		AEC			
(Note: Washington distribution indicated by "X"; Field distribution by "#".)													

INFORMATION REPORT INFORMATION REPORT

25X1A

REPORT NO.

25X1A

COUNTRY Poland

DATE DISTR. 27 June 1955

SUBJECT Postwar Investment Banking

NO. OF PAGES 7

25X1C

REFERENCES:

THIS IS UNEVALUATED INFORMATION

25X1X

1. Reactivization of the various banks in Poland took place in 1945, a few days after the Soviet army had passed through. All prewar bank workers were called to work through various forms of public announcements. During this initial postwar period, each bank was organized and functioned in a manner identical in principle to that of the pre-war period. Their dealings were based on the credit system as distinguished from the "financing" system which was to be adopted later. Credit was granted to the reactivated and newly created enterprises on a long, middle, and short term basis. The principal objective of this "crediting" was to activate various production enterprises, and the fundamental and guiding policy of the bank's activities in 1945, 1946, and early 1947 was the "crediting" of those production plants which promised the quickest and best possibilities of production and which in turn could make it possible for additional plants to be reactivated. Other enterprises given priority financial assistance during this period were those producing food and other essential consumer items.
2. A more definite directive for the activities of the various banks followed with the law of January 1946 which nationalized the country's industry. This directive ordered that all state investments were to be credited by the National Economic Bank (Bank Gospodarstwa Krajowego-B.G.K.) with the exception of investments in construction enterprises which were to be credited by the National Bank of Poland (Narodowy Bank Polski-N.B.P.). From 1945 through 1947, the B.G.K. concentrated its

CONFIDENTIAL

financial support on the reconstruction of transportation systems and particularly railroads and their rolling-stock.

3. Begining with 1947, the Communization of Poland began to take on added momentum. The C.P. exercised a constantly stronger influence in every place of employment, and Party criticism of the banks and their personnel began to increase. The bank employees were accused of continuing to work in a capitalistic manner instead of in the "socialistic spirit". Personnel purges began first on the central level. The central director of the B.G.K., Kazimierz Matuszecki, was dismissed from the bank outright. His successor, formerly the Stalinogrod (Katowice) branch director, Dr. Marian Kanneberg, lasted only a few months, being accused of unsocialistic methods of work. His successor, Jan Wojnar, was a man who was employed in the banks of Moscow during the war and the first postwar years. Wojnar was still solidly entrenched in this position 25X1X

enjoying full Party support. As a banker he was

25X1X
25X1

4. Wojnar was given the assignment of socializing the B.G.K. He presented his plans to the highest governmental authorities in the spring of 1949, and after a few months of conferences and discussions, the following changes were agreed upon and were announced by directives to the various departments concerned, on 1 November 1949:

- a. The name of the B.G.K. was changed to Investment Bank, (Bank Inwestycyjny - B.I.)
- b. The B.I. was to finance all state investments except those of agriculture, which were to be financed by the State Agricultural Bank (Panstwowy Bank Rolny), and investments in state construction enterprises, which were to be financed by the N.B.P.
- c. The following definition of what constitutes investment and what constitutes capital repair was agreed upon.
 - (1) Only an increase of permanent property in the direct investor's (inwestor bezposredni i.e., investee or user) recorded assets was to be considered an investment. With equipment, for example, the item's value had to be at least 900 zlotys, and it had to last more than one year before it could be considered an investment.
 - (2) Repairs were to be considered capital repairs when their result did no more than bring the production capacity of the repaired object up to par, i.e., any expected capacity up to and including capacity when new.
- d. A currency (cash) control plan was instituted based on monthly and quarterly cash statements from all the financed enterprises. The enterprises had to forward an advance quarterly plan (broken down by months) of all the cash which would pass in and out of their establishments. A compiled report based on all the plans received from all the enterprises formed the basis for the national plan which had to be approved by the central authorities, the Presidium of the Council of Ministers, if a large issue of cash were involved, in order to avoid inflation. Additional current monthly and quarterly cash accountings were also used to control the amount of cash in private hands.
- e. State enterprises were to be "financed" in contrast to the previous system of credit. (Cooperatives, usually trade and farming, were not considered strictly state enterprises since members shared in

CONFIDENTIAL

their incomes and as such operated on the credit system rather than being "financed" outright.)

- f. Two new branches of the B.I. were established in Sosnowiec and Bytom in order to service the increasing investments in the industrial voivodship of Stalinogrod.
- g. A system of cashless financial transfers and payments was established in which the B.I. simply transferred sums on its books.
- h. Various internal administrative changes were instituted including new procedures, forms, questionnaires, and systems of accounting.
- i. A Department of Planning and Financial Reporting was created to replace the Economic Department. (In 1953 this was replaced by an "Economic and Coordination Department".)
- 5. These changes were resented by the older generation of bankers who considered them not only a Communization of the banks but of the whole national economy.
- 6. The creation of the B.I. did not mean the complete liquidation of the B.G.K. which continued to have representatives (delegatura) in certain banks throughout the country. Its main activity was the "liquidation of old business" which included the collection of debts and particularly prewar loans. (The loans were first multiplied by 300; after the monetary reform of 1950, all loans were converted at three new zlotys for 100 old ones while cash was converted at one to 100. Bank savings were converted at three for 100 for the first 100,000 and one for 100 thereafter. Prices of all goods on the market were converted at three new zlotys for 100 old zlotys).
- 7. Concurrently with the above changes and in keeping with a national campaign going on in all state institutions and enterprises, banking employees, were to increase and improve their work through competitive work (spolzawodnictwo pracy) plans and programs regardless of the type of work they did. A special committee was formed to find ways and means to establish and standardize plans and norms for every job and position. Its membership was constantly changing because of a lack of sympathy for the task. For a long period every kind of effort was being made, usually instigated by the Party and central banking authorities, and including persuasion, threats, and arrests, designed to push employees to greater efforts. Competition between branches was initiated to further encourage greater efforts. If a branch bank in a particular voivodship won the monthly competition, it won a premium shared by all the members of the branch including charwomen and a little red flag which was kept permanently when the branch had won the competition three times. Analytical and other work which could not be measured quantitatively was judged qualitatively by the central bank on a point system. Every phase of the bank's activity was judged and graded and the total score of a particular branch was compared against other branches. This pressure for more work and the resulting lack of quality in the work was resented, and the whole program of competitive work was judged [redacted] to be a failure. 25X1A In 1950 and 1951, the C.P. increased its pressure and criticism of the bank's activities and personnel. Additional organizational and administrative changes took place to improve and control banking procedures, but besides the increase in bureaucracy and the amount of paper work, no essential changes or improvements were effected.
- 8. In the above state of affairs, the central B.I. was looking for "sacrificial goats" and began a campaign against the older prewar banking people, accusing them of inefficiency and "unsocialistic" methods of work. The central B.I. promised a "rejuvenation" of bank personnel.

CONFIDENTIAL

CONFIDENTIAL

- 4 -

25X1A

A purge of [redacted] began under 25X1X
 the ardent direction of a woman, Hulanicka (fmu), who was chief of the personnel (Kadre) department in the central B.I. in Warsaw. Almost all prewar workers (97 - 98% of whom were non-Party) were dismissed. From 1951 to 1953, about 120 people were dismissed from this one branch.

9. To replace those "old reactionary", qualified employees who were dismissed, young high school graduates were employed after a short course in banking. They were young people who had been "brought up in the new spirit", mostly girls in their late teens. Their performance on the whole was unsatisfactory. Further simplification, "mechanization", and strictly controlled procedures were introduced to make their work more efficient, but the general effect in the bank was still unsatisfactory to the higher authorities.

10. To add to these difficulties and further decrease the bank's efficiency, much of the personnel including the youth was attracted to better paying positions in other state enterprises because of the low wage scale at the banks. Even state enterprises which were clients of the B.I. would offer an efficient teen-age girl a position with a better salary. Only key or indispensable personnel were forbidden by law to resign. The law usually listed the positions which could not be vacated without proper approval.

11. In 1952, all the branches of the B.I. including the [redacted] 25X1X
 were given the additional task of financing investments in construction and "assembly" enterprises and received a directive "to leave the desk" and get into the field in order to effect a stricter and more constant inspection and control of all investments financed by the bank. This inspection and control was both a financial and technical one. In addition to the usual bank officials, the bank had engineers and technicians who checked on the technical execution of an investment. The investment, whether it was a construction or an equipment purchase and/or installation, was to be checked in every possible detail to see that it was being executed correctly and progressing according to the original plan which had been approved for realization. This inspection and control had to be rigidly exercised by the bank in spite of the fact that each of the following already had inspectors and controllers on the project: the enterprise realizing the investment, the enterprise for which the investment was being made, the investor's regional and/or central authorities, and the C.P. representatives in each of these. In addition to all this, the C.P. could intervene in any project from an official, regional or central level.

12. The real reason behind these and all other controls was that the individuals throughout all the state enterprises were generally indifferent to their jobs, and this indifference resulted in inefficiency and low quality production. This was particularly and notoriously true of the construction enterprises in which one could find the low quality products of a variety of enterprises. The living quarters constructed throughout Poland were a classic example of the low quality of both work and products; roofs leaked; walls were falling apart; windows didn't close; doors were warped and so on ad infinitum. The newspapers and radio constantly voiced individual and official complaints on this subject. Another example was in the Baildon Steel Works in [redacted] 25X1X
 where two heavy steel-conveyors in the rolling mill were badly designed and badly installed causing about 30 men to be idle for 11 days and the loss of three to four thousand scheduled tons of steel production.

25X1X3. The [redacted] branch of the B.I. ran into many difficulties in trying to control the investments it was financing mostly because they had an

CONFIDENTIAL

insufficient number of qualified personnel to cover all the enterprises in this expanding industrial area. The National Bank of Poland, (N.B.P.) which was considered the senior and more important bank and had a greater number of experienced personnel, was called in, in 1953, to assist the B.I. in these controls. Combining the control functions had as its additional purpose the training of B.I. personnel. The controls and inspections were made alternately, once at an enterprise whose investment was financed by the B.I. and next at an enterprise financed by the National Bank of Poland. (The N.B.P. financed the normal operations of an established enterprise whose operational accounts it held but not its expanding investment or the creation of an enterprise).

Early in 1953, it was decided to send a group of bankers to Moscow to study the Russian banking system with the idea of adopting it in Poland. The group spent several months of the spring and summer of 1953 in the "PromBank", the Russian equivalent of the Polish B.I., and returned to publish their findings in the Bulletyn Banku Inwestycyjnego (Investment Bank Bulletin), a monthly publication. In essence, the article declared that Polish adoption of the Russian banking system was impossible, at least for the period through 1954. This apologia was justified on the basis of the differences in the two economic systems and the fact that the Polish banking personnel had not matured to the average level of the Russian personnel. As a corrective measure, the article proposed the "intensified" schooling of the Polish banking personnel.

25X1A the end effect of the article amounted to no more than the stereotyped sycophantic attitude of "self-criticism", vis-a-vis Russia, so prevalent in every phase of life in Poland today. [] not indicate what the writers of the article meant by "essential differences in the two economies" since that article and all other pronouncements similar to it never went into detailed explanation. []

25X1A

it was possible that the average employee in the USSR was more stringently disciplined and controlled by more strictly defined directives designed to regulate his every activity, and that the fear of the penalties resulting from any violation of the rules of procedure resulted in a ponderous, systematic bureaucracy, but [] not think it resulted in any increase in overall efficiency. [] it was even possible that there was even more confusion and bottlenecks and less efficiency in the USSR, but that no one would dare say so.

25X1X

5. The intensive attempt to Communize Poland and to subordinate and exploit its economy, begun in the late 40's, ran into serious difficulties in spite of the fact that the Warsaw regime did everything that the USSR ordered. The predominant reason for these difficulties and lack of success was the resistant attitude of the individual. The regime was well aware of the existence of this obstacle and attempted to justify itself by saying that the USSR had already begun building the "foundation of Communism" and had had thirty years of experience in this development, whereas Poland first had to build the "foundation of Socialism". The regime went on to say that in the transitional stage, the Polish economy would benefit from the model and example of the Russian economy, and the Polish nation would be transformed into a Communist people by the gradual disappearance of the reactionary generations and the maturing of the younger, Communized generations. This kind of evasive rationalization, [] was an indirect admittance by the regime that the Polish economy was geared subordinately to the economy and plans of the USSR and that it would be a long time before the Polish nation would enjoy any of the promised benefits.

25X1A 6. This "unique Polish economic model" was to be created by the conversion of the Polish economy from an "agricultural - industrial" one to an "industrial - agricultural" one and by sustaining the proper economic proportions in the development of the various branches of the Polish

25X1A

CONFIDENTIAL

economy. The growing pains and failures in this effort were shown in the various campaigns conducted by the regime in which it shifted and reshifted its emphasis in trying to effect the change; manpower shifts, for example, from the farms to the cities and industry and later back to farms. The constant recruitment of workers for the cooperative farms and state farms and the final acknowledgement that the agricultural program was still lagging behind the overall plans was another example of their difficulties. In 1953, Bierut, in one of his speeches, announced a decrease in investment activities in the next several years. [redacted] interpreted this as an admission that the industrial development had reached its peak and could not be increased for lack of manpower and a lack of foreign markets. Consequently the investment plan for 1954 was the first which did not show an increase over the previous year. The following years were to show further gradual decreases.

25X1A

17. The USSR, thus, had a general influence on investment banking in Poland but no specific and direct influence on Polish banking methods and procedures. The banking methods and techniques were initiated and developed by Polish banking personnel. Polish banking methods, it was said in official circles, must be adapted to its "unique economic model" and their Sovietization was postponed for at least a few years. Furthermore, at the end of 1954, after much experimentation and pressure to emulate the Russian banking system, there were many indications that Polish banking was definitely on the way to centralizing its activities in one bank (N.B.P.) in contrast to the Russian system which had many specialized banks servicing every kind of banking need. [redacted] the size of the two countries and the differences in populations, the type of individual and the future economic potential were the reasons which led to the postponement of trying to Sovietize the Polish banking system.

18. In 1954, a series of personnel transfers from the N.B.P. to the B.I. was made. These transfers were colloquially called "penetrations" since it was believed that it was a preparation for the absorption of the B.I. by the N.B.P. This suspicion had been rumored, perhaps since 1952, and gradually began to be justified by the following two reasons:

- The probable decrease in construction investment, particularly industrial, in the 1956-1960 Five-Year-Plan.
- The difficulties in executing the original project of adopting the Russian banking model by the Polish system and the realization that the Polish economy demands its own type of banking system.

19. In the postwar years up to 1948, there existed in Poland a number of specialized banks which were similar in type and function to the specialized banks in the USSR. Since that time, however, even though there had been no special legislation to that effect, many internal directives of the Ministry of Finance had resulted in the total and partial liquidation of many of these specialized banks. During this experimental period (since 1948), the Cooperative Economy Bank (Bank Gospodarstwa Spoldzielczego) was changed to the Bank of the Union of Cooperative Incomes (Bank Zwiiazku Spolek Zarobkowych) which was liquidated completely in 1952. The State Agricultural Bank (Panstwowy Bank Rolny) has had most of its activities taken over by the B.I. and the N.B.P. and was scheduled for full liquidation at the end of 1954. The N.B.P. has also taken over some of the activities of the Bank of Trades and Commerce (Bank Rzemiosla i Handlu), and the latter is probably destined for eventual liquidation. The Bank of Commerce (Bank Handlu) and the Communal Bank (Bank Komunalny), which finances public services, were also in the process of being liquidated; their activities were to be transferred to the N.B.P.

CONFIDENTIAL

20. With the approaching decrease of national investments, the 1953-1954 transfer of key personnel from the N.B.P. to the B.I., and the transfer of certain B.I. activities (particularly cash transactions and monetary control functions), to the N.B.P., [] it was probable that the B.I., as such, would be liquidated within the next few years, and that all state investments would be handled by a department in the N.B.P. 25X1A

21. On the basis of past trends, [] excluding unforeseen developments, the N.B.P. will probably handle all of Poland's internal banking with the exception of personal savings which will continue to be handled by the P.K.O. (Powszechna Kasa Oszczednosci-General Savings Bank). (The externally known P.K.O., which is fully titled the Bank Polska Kasa Opieki - Polish Welfare Bank), has only one central office in Poland (in Warsaw) and branches in the foreign countries where it does its business. [] some other banks for foreign trade may have been opened or will be opened in the future both inside and outside of Poland.) 25X1X 25X1X

CONFIDENTIAL